

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Grand Traverse Conservation District	County Grand Traverse
Audit Date 9/30/05	Opinion Date 12/1/05	Date Accountant Report Submitted to State: 3/21/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) J L Stephan co, PC			
Street Address 862 E. Eighth St.		City Traverse City	State MI
Accountant Signature 		ZIP 49686	Date 3/21/06

**GRAND TRAVERSE
CONSERVATION DISTRICT**
Grand Traverse County, Michigan

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

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FINANCIAL SECTION



J L Stephan Co PC

Certified Public Accountants

Jerry L. Stephan, CPA

Marty Szasz, CPA
David Skibowski, Jr., CPA

INDEPENDENT AUDITOR'S REPORT

To the District Board
Grand Traverse Conservation District
1222 Veterans Drive
Traverse City, MI 49684

We have audited the accompanying financial statements of the governmental activities of the Grand Traverse Conservation District as of and for the year ended September 30, 2005 as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. These standards require that we plan and perform the audit to provide reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the District as of September 30, 2005 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 1, the District has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of October 1, 2003. The accompanying statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of the basic financial statements.

The budgetary comparison information on pages 1-14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

J. L. Stephan Co. P.C.

December 1, 2005

Grand Traverse Conservation District
Governmental Funds Balance Sheet/Statement of Net Assets
September 30, 2005

Exhibit A

	<i>General Fund Modified Accrual Basis</i>	<i>Adjustments</i>	<i>Statement of Net Assets</i>
Assets			
Cash & Equivalents			
Unrestricted	\$ 215,475	\$ -	\$ 215,475
Boardman River Endowment	12,638	-	12,638
Receivables			
Townships	7,731	-	7,731
State	26,164	-	26,164
Others	9,936	-	9,936
Construction In Progress	-	12,946	12,946
Capital Assets - net	-	5,169	5,169
	<u> </u>	<u> </u>	<u> </u>
<i>Total Assets</i>	<u><u>\$ 271,944</u></u>	<u><u>\$ 18,115</u></u>	<u><u>\$ 290,059</u></u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	\$ -	\$ -	\$ -
<i>Total Current Liabilities</i>	-	-	-
<i>Long-Term Liabilities</i>			
Accrued Vacation	17,697	-	17,697
<i>Total Long-Term Liabilities</i>	17,697	-	17,697
<i>Total Liabilities</i>	17,697	-	17,697
	<u> </u>	<u> </u>	<u> </u>
Fund Balance/Net Assets			
Fund Balance - Reserved	115,701	(115,701)	-
Fund Balance - Undesignated	138,546	(138,546)	-
<i>Total Fund Equity</i>	254,247	(254,247)	-
	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities and Fund Equity</i>	<u><u>\$ 271,944</u></u>		
Net Assets			
Invested in Capital Assets - Net of Debt		18,115	18,115
Restricted			
Boardman River Endowment - Principal		10,000	10,000
Boardman River Endowment - Expendable		2,638	2,638
Other		103,063	103,063
Unrestricted		138,546	138,546
		<u> </u>	<u> </u>
<i>Total Net Assets</i>		<u><u>\$ 272,362</u></u>	<u><u>\$ 272,362</u></u>

See Accompanying Notes to Financial Statements

Grand Traverse Conservation District
*Statement of Governmental Fund Revenues, Expenditures
and Changes in Fund Balance/Statement of Activities
As of September 30, 2005*

Exhibit B

	<i>General Fund</i>		<i>Statement</i>
	<i>Modified</i>		<i>of Activities</i>
	<i>Accrual Basis</i>	<i>Adjustments</i>	
Revenues			
Federal Grants	\$ -	\$ -	\$ -
State Grants	210,494	-	210,494
County Appropriations	94,132	-	94,132
Local Contributions	82,108	-	82,108
Consulting/labor Fees	15,030	-	15,030
Charges for Services	61,308	-	61,308
Seedling Sales	39,793	-	39,793
Native Plant Sale	18,987	-	18,987
Other Sales	11,097	-	11,097
Rents	5,580	-	5,580
Interest	2,420	-	2,420
Contributions & Donations	81,187	-	81,187
Refunds & Reimbursements	66	-	66
Other Revenues	8,781	-	8,781
Total Revenue	630,983	-	630,983
Expenditures			
MEAP Signs	3,533	-	3,533
Boardman River Sand Traps	3,314	-	3,314
Contingency	-	-	-
General Operations	138,167	(28)	138,139
Groundwater Program	65,688	-	65,688
Forestry Assist Program	58,208	-	58,208
Gypsy Moth Program	24,050	-	24,050
CMI Restoration Grant	23,308	-	23,308
Parkland Program	68,475	-	68,475
Conservation Projects	63,681	-	63,681
Conservation Intern	6,265	-	6,265
Nature Center	4,420	(2,815)	1,605
Community Forestry Grant	1,364	-	1,364
Boardman River Project	80,613	-	80,613
Boardman River Intern	17,754	(1,350)	16,404
Other Expenditures			
Depreciation	-	3,224	3,224
Total Expenditures	558,840	(969)	557,871
Excess Revenues Over (Under) Expenditures	72,143	969	73,112
Fund Balance - Beginning of Year	182,104	17,146	199,250
Fund Balance - End of Year	\$ 254,247	\$ 18,115	\$ 272,362

See Accompanying Notes to Financial Statements

Grand Traverse Conservation District

*Notes to Financial Statements
For the Year Ended September 30, 2005*

Note 1 – Summary of Significant Accounting Policies

The financial statements of Grand Traverse Conservation District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Effective October 1, 2003, the District adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in these statements include the following:

- Depreciation on capital assets of the District.
- Financial statements using the accrual basis of accounting for all the District's activities as adjusted for capital assets and depreciation.

A. Reporting Entity

Grand Traverse Conservation District is a conservation district created in accordance with Michigan State statutes. The District is governed by a volunteer District board whose members are elected for four year terms at the annual meeting in accordance with State statutes.

The criteria established by Statement 14 of the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements are based primarily on the concept of financial accountability.

The District operates as an autonomous agency completely separate from Grand Traverse County and the State of Michigan. On this basis, accordingly, the financial statements of the District have not been included in the financial statements of any other organizations.

B. Government –Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Expenses are those that are clearly identifiable with a specific function or segment. Revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Grand Traverse Conservation District

Notes to Financial Statements
For the Year Ended September 30, 2005

Note 1 – Summary of Significant Accounting Policies – continued

Separate financial statements are provided for governmental funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The local unit reports the following major governmental fund:

General Fund - This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from federal and state distributions, tree sales and contributions from other local governmental units.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets – Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Grand Traverse Conservation District

Notes to Financial Statements
For the Year Ended September 30, 2005

Note 1 – Summary of Significant Accounting Policies – continued

Depreciation has been provided on these fixed assets using the straight line method over there estimated useful lives.

Furniture & Equipment	5-15 years
Vehicles	7-10 years

Restricted Assets – The Boardman River Endowment was established for the stewardship of the Boardman River. The revenues from the endowment may be used for this purpose. Other restricted assets are amounts from grants and donations yet to be used as specified by the grantor or donor.

Compensated Absences (Vacation & Sick Leave) – It is the District's policy to permit employees to accumulated earned but unused sick and vacation pay benefits. The liability reflects amounts due employees for unused sick and vacation benefits upon separation of employment at year-end.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Stewardship, Compliance and Accountability

A. Budgets

The General Fund is under formal budgetary control. Budgets shown in the financial statements for this fund were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the District.

In the body of the combined financial statements, the District's budgeted expenditures for the budgetary funds have been shown on a program or activity basis, the level at which they were adopted.

Encumbrance accounting is not used and appropriations normally lapse at year-end.

B. Budget Compliance

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall adopt an annual budget and not incur expenditures in excess of the amount appropriated.

During the year ended September, 2005, the District had expenditures in excess of amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund: Gypsy Moth Program	\$ 23,500	\$ 24,050	\$ (550)
General Fund: Boardman River Project	69,000	80,613	(11,613)

Grand Traverse Conservation District

Notes to Financial Statements

For the Year Ended September 30, 2005

Note 2 – Stewardship, Compliance and Accountability - continued

The District did not follow State guidelines for budgeting revenues. Revenues were budgeted by program. The State requires budgeted revenues to be adopted by source.

C. Concentration of Risk

The majority of the District's revenues come from grants coming through the State of Michigan Department of Agriculture and Department of Environmental Quality. Loss of these grants would be detrimental to the ability of the organization to continue as a going concern.

Note 4 - Deposits with Financial Institutions

A. Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by act No. 217, Public Acts of 1982 and Public Act 196 of 1997, states the local unit, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- a. In bonds and other direct obligations of the United State or an agency or instrumentality of the United States.
- b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).
- c. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase.
- d. In United States government or Federal agency obligation repurchase agreements.
- e. In banker's acceptances of United States banks.
- f. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The District maintains all its surplus cash with a local bank in the form of savings/checking accounts and certificates of deposit. Interpreting the FDIC insurance coverage of \$100,000 per deposit to apply to the total savings/time deposits separately from checking/demand deposits for purposes of applying the \$100,000 limit, the bank balances as of September 30, 2005 are categorized as follows:

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. The categories are described as follows:

- | | |
|------------|---|
| Category 1 | Insured or collateralized with securities held by the entity or its agent in the entity's name. |
| Category 2 | Collateralized with securities held by the pledging financial institution's trust department or agent in entity's name. |

Grand Traverse Conservation District

Notes to Financial Statements
For the Year Ended September 30, 2005

Note 4 - Deposits with Financial Institutions - continued

Category 3 Un-collateralized

	<u>Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>
Cash Deposits	\$ 228,113	\$ 100,000	\$ -	\$ 128,113
Cash Equiv.	-	-	-	-
Total	<u>\$ 228,113</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 128,113</u>

Note 5 - Changes in Capital Assets

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Capital Assets Not Being Depreciated</i>				
Nature Center - Construction In Progress	\$ 10,131	\$ 2,815	\$ -	\$ 12,946
<i>Capital Assets Being Depreciated</i>				
Equipment	23,880	1,378	-	25,258
Furniture & Fixtures	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
	<u>38,880</u>	<u>1,378</u>	<u>-</u>	<u>40,258</u>
<i>Accumulated Depreciation</i>				
Equipment	(16,865)	(3,224)	-	(20,089)
Furniture & Fixtures	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>
	<u>(31,865)</u>	<u>(3,224)</u>	<u>-</u>	<u>(35,089)</u>
<i>Net Capital Assets being Depreciated</i>	<u>7,015</u>	<u>(1,846)</u>	<u>-</u>	<u>5,169</u>
<i>Total Capital Assets of Governmental Activities – Net of Depreciation</i>	<u>\$ 17,146</u>	<u>\$ 969</u>	<u>\$ -</u>	<u>\$ 18,115</u>

Note 6 - Risk Management

The District carries insurance coverage through Michigan Insurance Company for liability, property, crime and employee dishonesty. The District also carries workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Grand Traverse Conservation District

Notes to Financial Statements

For the Year Ended September 30, 2005

Note 7 – Commitments

Grand Traverse Conservation District is in the process of planning and building a new nature center. The district is responsible for raising funds for and construction costs of the new center. The building will be constructed on land owned by the county. The District will lease the land for \$1 per year for 99 years. The District is responsible for construction costs. The District will be responsible for maintenance and improvements over the term of the lease/life of the Center/improvements. At completion, "ownership shall vest in the County upon installation".

REQUIRED SUPPLEMENTAL INFORMATION

Grand Traverse Conservation District

Schedule 1

*Budgetary Comparison Schedule**General Fund**Year Ended September 30, 2005*

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance w/Amended Budget</i>
Beginning Fund Balance	\$ 182,104	\$ 182,104	\$ 182,104	\$ -
Revenues				
Federal Grants			-	
State Grants			210,494	
County Appropriations			94,132	
Local Contributions			82,108	
Consulting/labor Fees			15,030	
Charges for Services			61,308	
Seedling Sales			39,793	
Native Plant Sale			18,987	
Other Sales			11,097	
Rents			5,580	
Interest			2,420	
Contributions & Donations			81,187	
Refunds & Reimbursements			66	
Other Revenues			8,781	
Amount available	800,604	839,394	813,087	(26,307)
Expenditures				
MEAP Signs				
Printing & Publishing			3,489	
Other Expenditures			44	
	5,500	5,500	3,533	1,967
Boardman River Sand Traps	9,500	9,500	3,314	6,186
Contingency	5,850	7,499	-	7,499
General Operations				
Payroll Expenses			119,511	
Employee Benefits			6,270	
Office Expense & Utilities			5,578	
Accounting & Audit			375	
Contract Labor			793	
Dues & Subscriptions			800	
Sale Material Costs			29,250	
Advertising & Promotion			3,695	
Printing & Publishing			4,656	

See Accompanying Notes to Financial Statements

Grand Traverse Conservation District*Schedule 1**Budgetary Comparison Schedule**General Fund**Year Ended September 30, 2005*

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance w/Amended Budget</i>
General Operations - continued				
Training			2,209	
Meetings & Travel			2,651	
Maintenance, Repairs & Rentals			4,162	
Insurances			2,488	
Event Expenses			1,242	
Other Expenditures			1,351	
Admin. Expense Allocation			(46,864)	
	<u>136,000</u>	<u>149,050</u>	<u>138,167</u>	<u>10,883</u>
Groundwater Program				
Payroll Expenses			35,322	
Employee Benefits			6,517	
Office Expense & Utilities			2,077	
Admin. Expense Allocation			7,566	
Cost Share			7,111	
Training			2,429	
Meetings & Travel			663	
Maintenance, Repairs & Rentals			1,650	
Vehicle Maintenance			2,168	
Insurances			136	
Other Expenditures			49	
	<u>73,000</u>	<u>76,226</u>	<u>65,688</u>	<u>10,538</u>
Forestry Assist Program				
Payroll Expenses			42,884	
Employee Benefits			755	
Office Expense & Utilities			2,324	
Admin. Expense Allocation			5,997	
Printing & Publishing			117	
Training			507	
Meetings & Travel			2,085	
Maintenance, Repairs & Rentals			1,906	
Vehicle Maintenance			1,270	
Insurances			261	
Other Expenditures			102	
	<u>60,250</u>	<u>60,135</u>	<u>58,208</u>	<u>1,927</u>
Gypsy Moth Program				
Payroll Expenses			11,114	
Employee Benefits			2,875	
Office Expense & Utilities			2,162	
Admin. Expense Allocation			4,014	

See Accompanying Notes to Financial Statements

Grand Traverse Conservation District*Schedule 1**Budgetary Comparison Schedule**General Fund**Year Ended September 30, 2005*

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance w/Amended Budget</i>
Gypsy Moth Program - continued				
Training			216	
Meetings & Travel			1,207	
Maintenance, Repairs & Rentals			2,422	
Insurances			40	
Other Expenditures			-	
	<u>23,500</u>	<u>23,500</u>	<u>24,050</u>	<u>(550)</u>
CMI Restoration Grant				
Payroll Expenses			-	
Employee Benefits			-	
Contract Labor			500	
Office Expense & Utilities			6	
Meetings & Travel			161	
Project Repairs & Maint.			22,641	
Insurances			-	
Other Expenditures			-	
	<u>63,300</u>	<u>63,300</u>	<u>23,308</u>	<u>39,992</u>
Parkland Program				
Payroll Expenses			56,140	
Employee Benefits			2,113	
Office Expense & Utilities			2,072	
Admin. Expense Allocation			5,763	
Printing & Publishing			172	
Training			20	
Meetings & Travel			47	
Maintenance, Repairs & Rentals			1,906	
Insurances			192	
Other Expenditures			50	
	<u>68,500</u>	<u>68,500</u>	<u>68,475</u>	<u>25</u>
Conservation Projects				
Payroll Expenses			4,682	
Employee Benefits			-	
Contract Labor			12,461	
Sale Material Costs			3,627	
Project Costs			29,179	
Office Expense & Utilities			2,064	
Admin. Expense Allocation			6,882	
Meetings & Travel			180	
Maintenance, Repairs & Rentals			2,935	
Vehicle Maintenance			1,475	

See Accompanying Notes to Financial Statements

Grand Traverse Conservation District*Schedule 1**Budgetary Comparison Schedule**General Fund**Year Ended September 30, 2005*

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance w/Amended Budget</i>
Conservation Projects - continued				
Insurances			-	
Other Expenditures			196	
	<u>66,000</u>	<u>68,180</u>	<u>63,681</u>	<u>4,499</u>
Conservation Intern				
Payroll Expenses			5,642	
Employee Benefits			-	
Office Expense & Utilities			-	
Training			354	
Meetings & Travel			250	
Insurances			12	
Other Expenditures			7	
	<u>6,100</u>	<u>6,600</u>	<u>6,265</u>	<u>335</u>
Nature Center				
Payroll Expenses			-	
Employee Benefits			-	
Office Expense & Utilities			1,041	
Admin. Expense Allocation			-	
Printing & Publishing			433	
Maintenance, Repairs & Rentals			2,815	
Insurances			-	
Other Expenditures			131	
	<u>25,000</u>	<u>25,000</u>	<u>4,420</u>	<u>20,580</u>
Community Forestry Grant				
Payroll Expenses			-	
Employee Benefits			-	
Office Expense & Utilities			1,278	
Admin. Expense Allocation			-	
Maintenance, Repairs & Rentals			-	
Meetings & Travel			86	
Insurances			-	
Other Expenditures			-	
	<u>-</u>	<u>4,050</u>	<u>1,364</u>	<u>2,686</u>
Boardman River Project				
Payroll Expenses			46,250	
Employee Benefits			-	
Contract Labor			-	
Sale Material Costs			-	
Project Costs			947	
Office Expense & Utilities			1,611	

See Accompanying Notes to Financial Statements

Grand Traverse Conservation District*Schedule 1**Budgetary Comparison Schedule**General Fund**Year Ended September 30, 2005*

	<i>Original Budget</i>	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance w/Amended Budget</i>
Boardman River Project - continued				
Admin. Expense Allocation			16,643	
Training			572	
Meetings & Travel			681	
Maintenance, Repairs & Rentals			2,218	
Vehicle Maintenance			881	
Insurances			278	
Endowment			10,000	
Other Expenditures			532	
	<u>69,000</u>	<u>69,000</u>	<u>80,613</u>	<u>(11,613)</u>
Boardman River Intern				
Payroll Expenses			15,899	
Employee Benefits			-	
Office Expense & Utilities			1,350	
Meetings & Travel			490	
Insurances			15	
Other Expenditures			-	
	<u>7,000</u>	<u>19,000</u>	<u>17,754</u>	<u>1,246</u>
Total Charges to Appropriations	<u>618,500</u>	<u>655,040</u>	<u>558,840</u>	<u>96,200</u>
Budgetary fund Balance	<u><u>\$ 182,104</u></u>	<u><u>\$ 184,354</u></u>	<u><u>\$ 254,247</u></u>	<u><u>\$ 69,893</u></u>

See Accompanying Notes to Financial Statements

OTHER INFORMATION (UNAUDITED)

Grand Traverse Conservation District

Comments and Recommendations

We have audited the financial statements of the Grand Traverse Conservation District for the year ended September 30, 2005 and issued our report thereon dated December 1, 2005. As part of our audit, we studied and evaluated the District's internal control structure. Because the study and evaluation were only part of the overall audit plan regarding the financial statements, our study was more limited than would be necessary to express an opinion on the system of internal control taken as a whole. Accordingly, we do not express an opinion on the system of internal control of the District taken as a whole. As the result of our audit, we deem it necessary to make the following comments and recommendations.

Opening Comments

Your executive director maintained the records of the District in good condition. We recognize that your Board and Treasurer are all volunteers and we commend them for their efforts to manage the District and oversee the accounting system. As part of a continuing effort to enhance internal control and improve the accounting system, financial reporting, and overall management, we offer the following comments and recommendations for your consideration.

Reportable Conditions

We noted certain matters involving the internal control structure and its operation that we consider being reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Budgeting Procedures

Board minutes reflect approval of the annual budget. However, the budgeted revenues were adopted by program. The State requires the local unit shall adopt budgeted revenues by source.

We noted budget amendments in the board minutes. However, the minutes did not reflect the detail of the amendments nor did minutes indicate the amendments were attached or part of the meeting minutes. We also noted a budget worksheet was not maintained detailing the beginning budget, amendments and the final approved amended budget. We recommend the minutes reflect the detail of the amendments or indicate the detail is attached. We also recommend maintaining a budget worksheet reflecting the original approved budget, all amendments and the final budget approved as amended. Budgeting manuals and procedures can be found on the state treasury website.

Discussions with the executive director and administrative assistant revealed the revenue budgeting errors have subsequently been corrected. Other discussions were held regarding the maintenance of a budget worksheet. Both indicated an understanding and desire to correct the budgeting deficiencies and maintain proper budgeting documentation. They should be commended for their efforts.

Grand Traverse Conservation District

Comments and Recommendations

We also noted other matters that we do not consider to be reportable conditions that we wish to bring to your attention.

Journal Entries

We noted numerous journal entries to allocate expenses among various activities. These entries were recorded as an expense to an activity and revenue to general operations. This caused an overstatement of both revenues and expenditures. However, the executive director presented reasonable support and explanations for the allocations. The allocations are made primarily to allocate various administrative expenses to the activities.

We also noted numerous entries to allocate grants and contributions to various activities. In general, grants and contributions are specific to an activity or for general use. Normally, revenues are recorded in whole according to source; however the District has multiple activities per source and allocates accordingly. We recommend maintaining accurate records of the allocation of grants and contributions to various activities and ensure their use complies with the grant or contributions documents.

Finally, we noted the executive director and administrative assistant maintain a journal entry book detailing each entry with support attached. They should be commended for their efforts.

Closing Comments

We are happy to discuss any of these recommendations and assist in their implementation. This report is intended solely for the information and use of the Grand Traverse Conservation District's management, and others within the organization. We further appreciate the courtesy extended our field auditors in the conduct of this audit engagement. Should any questions arise regarding these statements or the conduct of our audit, please call upon us.